CSISO-S

FOCUS ON MUFSO

MUFSO roundup from New Orleans

Focus section follows page 24

BEER, WINE & SPI

Some patrons e… beer without 'bu…

Mort Hochstein/Page F10

NR
00133900
MS JEANNE LONG
CONGRESSIONAL INFORMATIO 130
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

…leria chef …resh goods

Patt Patterson/Page F10

NEWSPAPER

SECOND CLASS

Nation's

Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 23, No. 40 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | October 2, 1989

NRN Photos

NRA president Bud Rusitzky, center, and New York restaurateur Don O'Neill, right, lobby Rep. Frank Horton, R-N.Y., on Capitol Hill.

US budget debate fuels industry's Capitol battle

By Peter Romeo

WASHINGTON — Although Congress' budgeting struggle is expected to spare food service from all but one piece of fearsome legislation this year, the strain is rekindling interest in such menaces as a reduction of the business-meal tax deduction.

What's more, the government's spending constraints will likely turn the 1989 legislative spotlight on mandated health care, extended parental leave, and other labor issues dreaded by restaurateurs, according to legislators and industry officials.

If a minimum-wage hike fails to pass this year, as many tentatively predict, it will almost certainly fly in 1990, the Capitol Hill watchers added.

NRA board meets in Washington

Page 4

Although interest in those matters flared in Congress this year, legislators did not

*(See **LEGISLATIVE**, Page 4)*

IFMA forecasts industry growth of 2% in 1990

By Alan Liddle

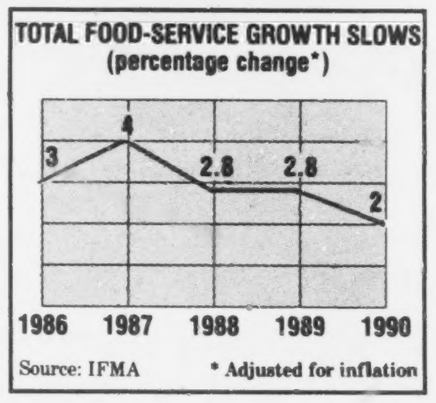
SAN FRANCISCO — In the industry's first comprehensive glimpse into next year, the International Foodservice Manufacturers Association has unveiled a forecast that envisions 2-percent industry growth in 1990.

Next year's 2-percent gain signals a slowdown from the 2.8-percent rates of both this year and last year as the nation's overall economy brakes gently, undercutting consumers' disposable incomes.

The forecast predicted slowdowns but not outright declines in most of the industry's key sectors, including full-service, fast-food, business and industry, health care, and recreation.

But IFMA also cited pockets of accelerated growth in convenience stores, colleges and universities, prisons, cruise ships, child-care centers, and food sales in taverns.

IFMA unveiled its annual Forecast and Outlook study, performed by Technomic Inc. of Chicago, in a series of three one-day meetings, which began here in San Francisco, went on to Chicago and ended in New York.



The IFMA report is one of two leading sources for industry economic information and forecasts. The other one, prepared by Malcolm Knapp Inc. of New York, is sponsored by the National Restaurant Association and is released annually in December.

The growth figures prepared by Technomic are adjusted for inflation and omit all sales of alcoholic beverages.

*(See **IFMA**, page 89)*

Domino's: Franchisee sale unlikely

By Milford Prewitt

ANN ARBOR, Mich. — With franchisees mobilizing to launch a bid for the company, a Domino's Pizza official says the company would probably spurn such an offer.

Franchisee interest in buying Domino's emerged in the wake of Tom Monaghan's disclosure that, in order to devote himself to charitable and religious causes, he was thinking about selling the company.

"The company's view is that the franchisees should stay focused on their own businesses and operations," said Brad

*(See **DOMINO'S**, page 89)*

FOOD WATCH

Name your poisson

NEW YORK — After winning a four-year fight with federal food authorities to allow the importation of fugu, many of the city's leading Japanese restaurants will begin marketing the deadly poisonous but delicately flavored fish here.

At Restaurant Nippon, the pioneer Japanese restaurant in New York, owner Nobuyoshi Kuraoka will be serving fugu dinners, priced at $160 per person, featuring the fish in sashimi, tempura,

*(See **FOODWATCH**, page 89)*

Monterey House goes Tex-Mex

ShowBiz to revamp 26 units, close 26

By Tracey Taylor Woodard

IRVING, Texas — Bidding *adios* to its Monterey House concept, ShowBiz Pizza Time Inc. is converting half of the 52 restaurants to more trendy Monterey's Tex-Mex Cafes and is shuttering the rest.

Richard M. Frank, chairman and chief executive officer at ShowBiz, which also operates more than 250 ShowBiz Pizza Place and Chuck E. Cheese's restaurants, said 14 of the Mexican dinner houses had already undergone conversion, with a 15th to be completed shortly. All of the converted Monterey House units are in Houston.

The new Monterey's Tex-Mex Cafe in Houston. The chain plans to convert half of its 52 units to this trendier style.

"It's becoming more of a neighborhood, family-type restaurant," Frank said. "In addition to the remodeling, we've totally redone the menu and the plate presentations.

*(See **SHOWBIZ**, page 89)*

BERNSTEIN ON ARBY'S ROBERTS: A TRUE MARTYR — F3

INSIDE NRN

News

Fish buyer pleads for end to ocean dumping 7
Finance experts: Benefit plans add to firms' fiscal demands 7
Seminar taps nutrition as key to good menus 7
Commissaries ease back-of-house labor shortages 7
Demand for tomato products on the rise 16
Chopstix cafe to finance 17 branches 18
Wohler opens two-concept cafe 18
Gracie Mansion to host students 22
SFM to celebrate 10th anniversary 22
Express Foods joins private firm to aid expansion 71
Ex-Mazzio's exec buys Sonic rights in Fla. 71
IHOP Corp. appoints two to VP posts 75
Everything Yogurt opens Rutgers unit 75
New Orleans to host Seafood Challenge 75
Utah Hardees aids Special Olympics 86
Pizza Hut reaffirms veto of Skipper's bill 86
Arby's donates to Kidney Foundation 86
Campbell sells Annabelle's back to founder Powell ... 86

Focus

Section follows page 24
Cover Story/MUFSO '89 wrap-up F1
Bernstein/Arby's Leonard Roberts: A true martyr F3
Viewpoint/Don't let numbers control your business ... F6
Viewpoint/Who needs acquisitions? F6
Viewpoint/The essentials of fine dining F6

Columns

Hayes/Take a lesson from Shells: Benefit from your niche F4
Hochstein/Some enjoy their brew without the buzz .. F10
Patterson/For Dallas chef, only the freshest will do .. F10
Walkup/Wisconsin Restaurant Association fights taxes 16

Food

Fabricant/Southwestern cuisine riding high 11
What's Hot/Kansas City, Mo. 11
NRN Food News Digest 11

Marketing

Panel: Tune in to advantages of radio ads 12
Marketing Digest 12
Ad Watch 12

Financial

Restaurant and bar sales advance in August 14
Food Price Outlook/Apple prices stay low 14
Fact File 14
NRN Financial Digest 14
Low profits force staff cuts at Skolniks 14
Applebee's offers 2 million shares 14
Pizza Lite finishes private placement 14
Marriott to franchise Fairfield Inns 14
Stock table 90

Features

Letters F3,F12
Reporter's Journal F4
Quotables F4
Where Are They Now? ..F4
Product News 72,74
Classifieds 77-86
Advertiser Index 88
Name of the Week F4

NRN Directory

For subscription problems, call (212) 697-2165 or (212) 697-2166.

For other business, call (212) 371-9400 and extension:

Newsroom 285
Display advertising 404
Classified advertising 492

Subscription rate: food-service operators and wholesaler-distributors, one year, $29.50, two years, $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, and schools) and all others, $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 23, No. 40 Oct. 2, 1989

NEWS DIGEST

KFC rolls promo item, expands delivery test

LOUISVILLE, Ky. — Kentucky Fried Chicken has added a new short-term promotional product called Spicy Drummets, which are akin to the peppery Buffalo-style chicken wings that have skyrocketed in popularity in recent years.

In a further effort to bolster sales, the fast-food chain has expanded its test of home delivery by adding the service at company units in Columbus, Ohio. The test was previously limited to three markets.

Drummets are made with the meaty segment of chicken wings. Each drumsticklike piece is marinated in a spicy sauce and then breaded and deep-fried.

With customer counts sagging, the chicken chain has been sharply criticized by franchisees for moving too slow on the development of new products. A few months ago KFC addressed those critics by adding a menu option called Extra Tasty Crispy.

Rally's discloses plans to swap stock for units

LOUISVILLE, Ky. — Rally's Inc., poised to go public, said it would exchange common shares for 61 franchised double-drive-thru units, boosting its total company-owned stores to 64.

The restructuring — which includes the purchase of area development rights for Louisville and Lexington, Ky., Indianapolis, Detroit, New Orleans, and Birmingham, Ala. — is designed to boost the company's revenue base, reduce the risk of building on unproven sites, and "weather proof" the company by giving it concentrations of stores in the South and Midwest.

Pizza Hut used a similar strategy in 1968, issuing stock to certain franchisees to bring 122 restaurants into the corporation.

Chez Panisse's Shere robbed of recipes

BERKELEY, Calif. — Dessert lovers are mourning the recent theft of a recipe book compiled by Lindsey Shere, co-owner and pastry chef at the famed Chez Panisse restaurant here .

While she is able to recall the recipes for many of the items she prepared regularly during her 18-year career, Shere said that many of her creations will be lost if the book does not turn up.

"A lot of them were for things I had done only once or twice or had scribbled down on a piece of scrap paper," she explained.

Shere said she kept her recipes in just one place: a book she always kept nearby. The book and the purse it was in at the time were stolen from her Berkeley residence while she slept.

The distraught pastry chef said she has offered a no-questions-asked reward for the return of the book.

Calif. acts on compensation, health-care, solid-waste bills

SACRAMENTO, Calif. — The Legislature has passed bills to reform the state's $8 billion workers' compensation system and ease the health-care and solid-waste crises.

The workers' compensation measures will boost the maximum temporary disability payment — currently $224 a week, the 47th-lowest of all states — by 50 percent over two years; lift permanent disability allowances by 7.5 percent; restrain workers from shopping around for favorable medical evaluations; and restrict claims for job-related stress.

A controversial health-care bill was also passed but without provisions that would have forced businesses with five or more workers to pay at least 75 percent of the premiums for group coverage.

A separate approved bill provides $300-per-worker tax credits to companies that offer health insurance.

The Legislature also passed bills designed to halve solid-waste dumping at landfills by the year 2000 through recycling.

LA plots trash ban as CRA starts recycling campaign

LOS ANGELES — As a first step toward formulating a restrictive ordinance, the City Council here has begun studying ways to eliminate non-biodegradable packaging from fast-food restaurants and other sources.

Los Angeles currently generates an estimated 38 percent of all the garbage in California, which produces an estimated one-fourth of the nation's trash.

Meanwhile, the California Restaurant Association, under contract with the state Department of Conservation, has launched a drive here to direct restaurants into recycling programs for glass, aluminum and plastic. The CRA pitch notes the advantages of reduced trash-hauling fees and extra income that can be earned from recycled waste.

Wyatt Cafeterias names DeShazo new president

DALLAS — Wyatt Cafeterias Inc. has named George DeShazo as president and chief operating officer, replacing James Munns, who is resigning to pursue personal interests.

DeShazo, a 39-year Wyatt's veteran, was formerly executive vice president of operations.

The company also announced a number of other executive changes, including the promotion of Paul Kopecky Sr., who replaces DeShazo as executive vice president of operations. Kopecky was formerly senior regional vice president in Houston.

Mark Shackleford, Wyatt's chief financial officer, has been named executive vice president of administration, a post left vacant because of a death last year. He retains the financial title.

Former Shoney's chief assumes TPI's prexy post

MEMPHIS, Tenn. — Gary Sharp, a onetime head of the Shoney's family restaurant chain, has been appointed president of TPI Enterprises, a large Shoney's franchise based here.

Earlier this year TPI acquired Sharp's Sharp Concepts, a five-unit Shoney's franchise in Orlando, Fla. The 41-year-old Sharp was awarded the territory after he stepped down as group vice president of the Shoney's chain for Shoney's Inc., the system's franchisor.

Sharp, 41, fills the vacancy left by the May resignation of James Prentiss. TPI operates more than 250 restaurants.

Restaurateur appointed to NY Board of Health

WHITE PLAINS, N.Y. — The New York State Restaurant Association said it has scored a victory by convincing Westchester County officials to appoint a restaurateur to the county's Board of Health.

Michael Maimone, owner-operator of Le Shack Restaurant here, was named a member-at-large for the current term, which expires Dec. 31, 1993.

The NYSRA said it has long sought to place a restaurateur on the health board, whose duties include shutting down eating places that pose a health threat. "I hope every county in New York takes Westchester's lead and puts a restaurateur on the Board of Health," said Tom Cardarelli, president of the NYSRA's Westchester chapter.

Creative buys Figlio unit in Minneapolis

SHAWNEE MISSION, Mo. — Creative Restaurant Management Inc., operator of the Fred P. Otts bar-and-grill chain, has purchased its partner's stake in the Figlio Restaurant here.

The partner, Parasole Restaurant Holdings, said it sold the restaurant because it was far from the company's Twin Cities stronghold. CRM had been a limited partner in Figlio.

Parasole continues to operate its first Figlio and other restaurants in the Twin Cities.

CRM, based here, is headed by Richard May, a former top executive of Gilbert-Robinson, operator of the Houlihan's casual-theme chain.

FINANCIAL NEWS

Restaurant and bar sales advance 2.7% in August

By Rajan Chaudhry

WASHINGTON — The restaurant industry found no relief from the August heat, according to government indices and industry experts.

Despite furious discounting and couponing, sales at the nation's eating and drinking places grew at their lowest unadjusted rate of the year, 2.7 percent, according to the U.S. Census Bureau.

"The heavy discounting left few of the participants in our universe unscathed," said Caroline Levy, a Shearson Lehman Hutton analyst.

Based on falling same-store sales, Levy downgraded McDonald's, Sizzler, and Collins Foods International and noted that Luby's and Wendy's are also losing market share.

'The heavy discounting left few of the participants in our universe unscathed,' said Caroline Levy.

Although food cost inflation eased during the month to 4.5 percent, its lowest rate of gain thus far in 1989, according to the U.S. Labor Department, the department's food-away- from-home index showed restaurants were able to slow year-over-year menu-price inflation by only 0.1 percentage point, to 4.6 percent.

Restaurants also felt greater competition from supermarkets, which last month logged their lowest price hikes of the year and capped their third straight month of slowing inflation.

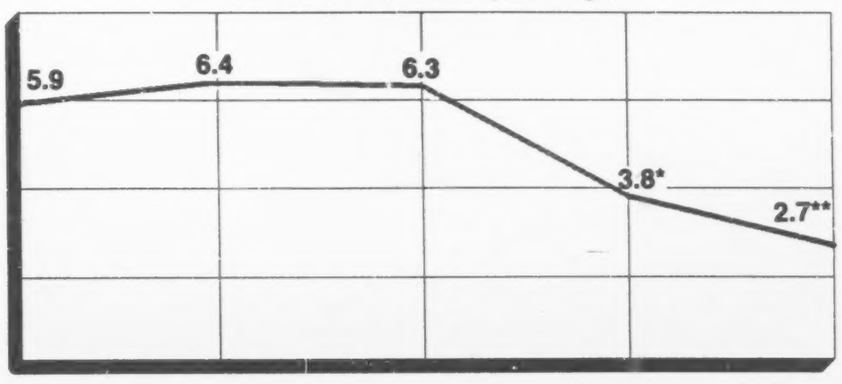
According to the department's food-at-home index, grocery stores lifted prices 5.8 percent in August, down from a 6.4-percent rate of increase in July and a 7.3-percent unadjusted hike in June.

Wholesale prices of processed turkeys fell almost 12 percent during August, according to the department's producer price index for finished consumer foods, while the cost of processed young chickens fell 6 percent and the price of fresh fruit dropped 3 percent.

Beef and veal prices logged an 11-percent gain for the month, egg prices advanced 9 percent, dairy and bakery product costs climbed more than 8 percent, and prices of fresh and dried vegetables rose 7 percent.

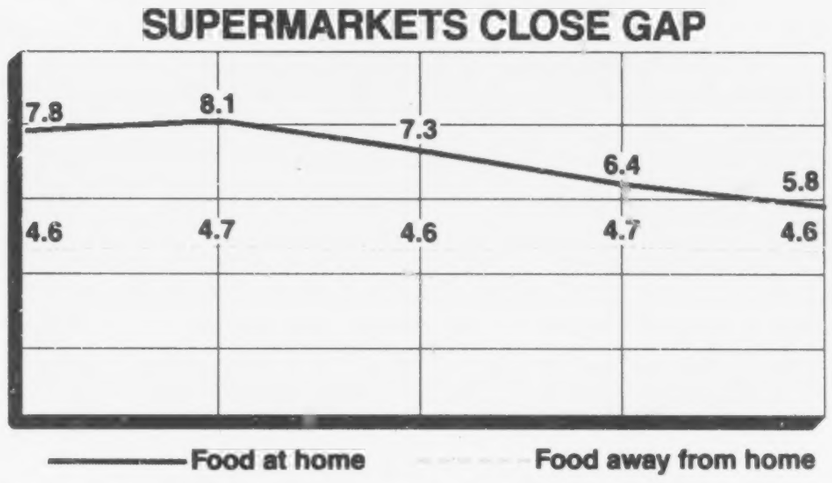
RESTAURANT SALES GROWTH SLOWS

(year-to-year percentage change)



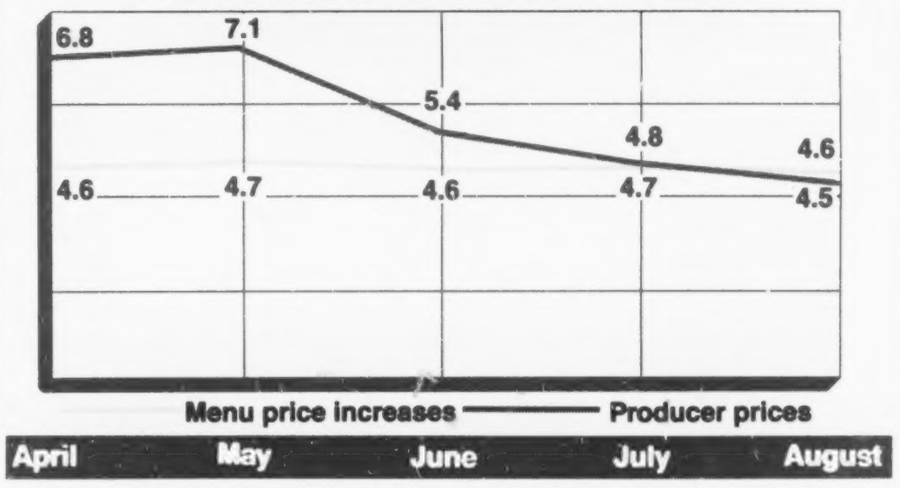
Source: U.S. Census Bureau. Figures are not adjusted for seasonality.

SUPERMARKETS CLOSE GAP



Source: U.S. Labor Department. Figures are not adjusted for seasonality.

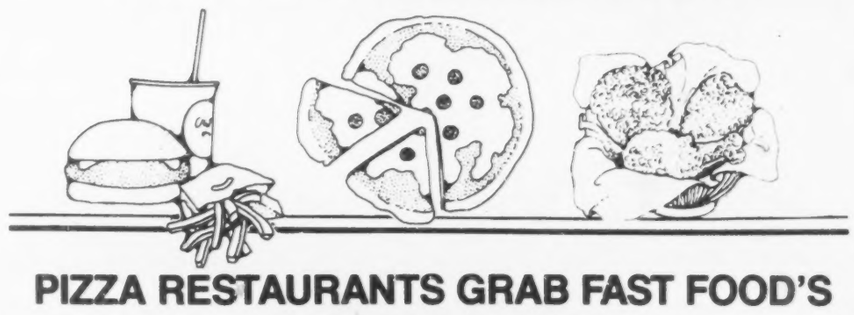
FOOD COSTS PRESSURES EASE



Source: U.S. Labor Department. Figures are not adjusted for seasonality.

FACT FILE

A look at the statistics shaping the industry



PIZZA RESTAURANTS GRAB FAST FOOD'S BIGGEST CHECK

(average check amount per eater)

Source: NPD CREST Annual Household Report

FOOD PRICE OUTLOOK

Apple prices stay low on carryover

Because of the springtime pesticide scare, **apple** stocks in controlled atmosphere storage are still large, despite U.S. Department of Agriculture emergency purchases for school lunch and other domestic feeding programs. The new harvest is under way, with the Northwest reporting volume harvests. Prices remain low, with movement below last year's figures at this time.

Beef prices are likely to remain at present levels or rise a bit. Producers are holding heifers from the market in order to increase herds, according to reports from the Department of Agriculture. Rains in most of the cattle-raising states indicate a good potential **range feed** situation through next spring.

Pork prices remain stable. A small increase in hog production has been met with a similar increase in pork consumption. However, **pork belly** supplies are the largest in years. Bellies are processed into bacon. **Bacon** prices may lower unless the federal government decides to send large quantities of pork bellies to Poland as part of that country's request for food assistance.

Iceberg lettuce harvest is moving to the southern end of the San Joaquin Valley in California. Farmers are planting about the same acreage for the fall and winter crops as they did last year. If white-fly activity remains minimal, prices should be at normal seasonal levels through next spring. There is increasing activity in Mexico this year, according to reports. A number of California farmers have entered joint ventures with Mexican growers.

The California **wine** country is holding its collective breath at press-time. Heavy rains for three days threaten grapes used in varietal wines with mildew unless skies clear and weather turns warm quickly. Heavy mildew can ruin grapes for wine and drive up wine prices.

— **Patt Patterson**

NRN FINANCIAL DIGEST

Low profits force staff cuts at Skolniks

LOUISVILLE, Ky. — Skolniks Inc., which operates a chain of bagel bakeries and restaurants, said it is cutting staff and otherwise slashing general and administrative costs in the face of expected lower earnings for its fourth quarter and year ending July 30.

The company said it would save about $500,000 in fiscal 1990 as a result of the cost-cutting measures, but it declined to elaborate on the scope of the reductions.

In last year's fourth quarter, the company posted profits of $65,137 on revenue of $2.3 million.

For the year the company's net income was $600,723 on revenue of $9.1 million.

Applebee's offers 2 million shares

KANSAS CITY, Mo. — Applebee's International Inc., which operates and franchises a 95-unit chain of casual-dining restaurants, said it is offering more than 2 million common shares at $11.50 per share.

The initial public offering comprises 1.4 million shares sold by the company and 630,000 sold by shareholders.

Applebee's said it would use the proceeds from the IPO to reduce debt incurred in the acquisition of the company from W.R. Grace and to build additional restaurants.

Applebee's operates 17 company Applebee's Neighborhood Grill & Bar restaurants and franchises 78.

An additional 18 restaurants are under construction, the company said.

Pizza Lite finishes private placement

MIAMI — Pizza Lite, an eight-unit pizza chain, has completed a private placement and said it would go public within the next 18 months.

The company declined to divulge the size of the placement.

Funds from the private offering will be used to finance an aggressive marketing campaign, company officials said.

The 3-year-old company is attempting to carve out a niche for itself in the pizza delivery segment by appealing to diet-minded and health-conscious patrons. It offers low-calorie cheeses, salads and yogurt.

Pizza Lite currently operates units in four states, with unit sales averaging $30,000 a month. The company said it spends about 10 percent of revenues on advertising.

Marriott to franchise Fairfield Inns

WASHINGTON — Marriott Corp., the food-service and hospitality giant, said it plans to franchise its budget-lodging Fairfield Inn concept, bringing the number of inns to 300 by the mid-1990s.

Marriott, which currently owns and operates 39 Fairfield Inns, said franchised properties will account for about 30 percent of the chain.

FOCUS | OPINION

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

Publisher JAMES C. DOHERTY

Editor CHARLES BERNSTEIN

Executive Editor Rick Telberg
News Editor Rick Van Warner
Senior Desk Editor Jeanne Isenberg
Special Projects Editor Peter Romeo
Senior Editor Milford Prewitt
Associate Editors Bill Carlino, Rajan Chaudhry
Bureau Editors Richard Martin (West Coast Chief *Los Angeles*), Alan Liddle (*San Francisco*), Carolyn Walkup (Midwest/*Chicago*), Jack Hayes (*Atlanta*), Tracey Taylor Woodard (*Houston*)
Copy Editor Michael Schrader
Desk Editors Peter O. Keegan, A. Rhona Melsky, Lisa Weinreb
Contributing Editors Florence Fabricant, Mort Hochstein, Patt Patterson
Editorial Secretary Donnae Kerber
Art Director Bob Brokman
Graphic Artist Alice Fernandes-Brown

Associate Publisher/National Sales Manager MICHAEL F. CHARLTON

Advertising Sales Coordinator Chris Hernandez
Production Manager Francine Rizzo
Director of Manufacturing Stan Kaufman
Classified Advertising Manager Leslie Wolowitz
Circulation Director Susan Moskowitz
Corporate Circulation Director Carole Ireland

Group Publisher C. Reese Musgrave

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
VP/Publication Services Barry Braverman
Sr. VP/Group Pub. James deGraffenreid
VP/Administration Harry A. Estes
VP/Publisher Jay Forbes
VP/Finance James Granato
VP/Human Resources Richard D. Groberg
VP/Editorial Director David Q. Mahler
Sr. VP/Group Pub. C. Reese Musgrave
Treasurer Barry Okun

REGIONAL OFFICES

Atlanta 278 Spring Drive, Roswell, GA 30075, 404-998-6966
Southeast Editor Jack Hayes

Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394
Area Manager Chris McCoy

Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420
Office Manager Martha Smith
District Manager Tom LaPalermo

Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688
Midwest/Chicago Editor Carolyn Walkup
District Manager Gary Knuth
Area Managers John McGuire, Ed Weisbrod, Tom LaPalermo

Houston 2851 Wallingford Drive, Suite 108, Houston, TX 77042, 713-977-7924
Southwest Editor Tracey Taylor Woodard

Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321
West Coast Bureau Chief Richard Martin
Regional Manager John Donoghue
District Manager David M. Pittman

New York 425 Park Ave., New York, NY 10022,212-371-9400
Eastern District Manager John Yatkauskas
Area Manager Paul Petterson
Sales Administrator Tony Borelli

San Francisco 400 Montgomery St., Suite 1110, San Francisco, CA 94104, 415-362-2575
San Francisco Editor Alan Liddle
District Manager Steve Conca

Japan Diamond-Friedman Ltd., Chain Store Age News, Japan 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

The Audit Bureau MPA ABP

Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions

Call (212) 371-9400, ext. 419

Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, NY 10165-0079.

Permissions

Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Nation's Restaurant News, publisher, Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022.

Arby's Leonard Roberts: A true martyr

Almost five years ago Leonard Roberts, then a Ralston-Purina executive, was offered the perilous post of Arby's president and chief executive. This was shortly after conglomerate financier Victor Posner acquired Royal Crown and Arby's.

Executives of Arby's holding company, the DWG Corporation, portrayed the chain as a smooth-running company. Roberts politely turned down the job offer, asserting that he did not want to be a "chief custodian." Nor was he certain that Posner would give him full authority.

DWG approached him four more times with all kinds of inducements over the next few months. But Roberts, seeking a big challenge rather than an efficient operation, said no each time.

But one night in June 1985, Roberts attended a Chicago dinner party with business associates. By coincidence, several Arby's franchisees happened to be at the table where he was seated. They had no idea he had ever been offered the Arby's job, and he did not tell them. He merely engaged them in polite conversation about various matters, including Arby's.

Roberts asked the franchisees what they thought of Arby's prospects. Their answers ranged from hopeless to non-existent. He recalls that they painted a picture of "a constipated bureaucratic organization managed by a group of egomaniacs who had developed a complacency for people and an affinity for mediocrity."

With his flair for the dramatic, Roberts left the room, placed a phone call, returned, and informed the stunned group that he had just accepted the job of Arby's president. "If things really are so bad, this is exactly the challenge I am looking for," he explained.

To the surprise of many observers, Roberts gradually did turn things around for Arby's. He instilled belief in the employees, made them proud to be part of the organization and restored morale. He consistently emphasized Arby's strengths rather than its weaknesses; built a winning spirit; opened up the lines of communication; and encouraged risk-taking innovation, accepting inevitable mistakes witnout penalties.

Over the next few years, Atlanta-based Arby's rose to a leadership position within its fast-food niche as Roberts propelled the chain ahead of its competitors.

He was not afraid to express his pleasure with Arby's success. "It gives me great pride to report that if there were such a thing in fiscal 1988 as a major-league championship game in our industry," he declared just a few months ago, "then Arby's clearly became the world champions within the restaurant industry. . . . We'll repeat our championship in 1989."

Being the proud, impulsive and stubborn person he is, Roberts set himself up for a fall last month after a group of eight major Arby's franchisees offered to buy the chain from DWG and after chairman Victor Posner repeatedly declined to consider their offer. Roberts and Posner had been feuding for some time.

Franchisees alleged that Posner threatened to strip Arby's top franchise executives of their authority and titles and to terminate Arby's relationship with the AFA Service Corp. (the franchisees' marketing group) "to increase profits." Leading Arby's executives had threatened to resign last January when Posner withheld bonuses for all employees.

Like a ray of fresh sunshine in a time of stormy franchisee relationships, Roberts again supported the franchisees — this time by putting his job on the line. He dashed off a letter to Posner, resigning as vice chairman and a director of DWG. These titles were not crucial to Roberts, but the principles were.

While attending a few of the DWG board meetings, Roberts wrote to Posner: "I have seen every form of intimidation displayed by you. . . . Board members, including myself, are intimidated by you during the meeting to acquiesce and sit idly by, and quickly approve your predetermined decisions."

Roberts added that "you have unilaterally determined Arby's is not for sale; you have refused to meet with representatives of R.B. Partners, who are among the largest and most influential franchisees in the Arby's system; and you have stated that you will not present the offer to the DWG board for its consideration, thus preventing the board from exercising its fiduciary responsibilities to its shareholders."

Renee Mottram, DWG executive vice president, called Roberts' assertions "untrue in all respects." Posner promptly fired Roberts as Arby's president and chief executive, as Roberts surely knew he would. DWG itself has been under a hostile takeover siege.

Posner declared shortly afterward that Arby's simply is not for sale "because I am extremely pleased with the operating results and progress achieved under my overall management and the operating management team [that was headed by Robert] that had been selected by me." He deplored "the divisive tactics" of the R.B Partners franchisees "in persisting in their efforts to purchase a company which is not for sale by its sole shareholder [Posner]."

Posner termed "equally disappointing the actions of Leonard Roberts, which led to his termination by the Board of Directors of Arby's."

Roberts also had vigorously opposed Posner's efforts to move Arby's headquarters from Atlanta to Miami Beach, at or near DWG's and Posner's offices. Such a move, now expected shortly, would further undermine Arby's independence.

In a surprise move, Posner named Irving Riese, a longtime friend, to succeed him as president. This means Irving and Murray Riese and their New York-based Riese Organization will manage Arby's.

They may have a financial stake in Arby's or may obtain significant ownership. They already possess an Arby's franchise operation in the New York area.

The widespread Riese empire, which by some estimates owns or controls some 500 restaurants in the New York area and many other states, has a majority interest in Houlihan's. Managing and/or owning Arby's could pose a potential conflict of interest since Riese operates a Roy Rogers franchise along with Burger King, Pizza Hut, and numerous other franchises.

The Arby's Franchise Association expressed "shock and outrage" at Posner's "unfounded" firing of Roberts, "especially in the light of Arby's outstanding achievements during Roberts' leadership." The AFA also expressed dismay at Posner's choosing Irving Riese as the new president.

Posner defended the actions and lauded the Rieses as "proven outstanding operators." He also emphasized that Arby's "did not and has never threatened to terminate its current relationship" with the AFA Service Corporation.

Once again, the corporate mentality, as evidenced by Posner, has triumphed over the entrepreneurial approach, as represented by Roberts. In any case it is not a healthy situation for Arby's or the industry.

LETTERS

The unfair 'witch hunt' on the nation's smokers

Editor, NRN:

In response to the June 19 letter written by Gerald W. Bracey of Denver, "Smokers have no rights."

Bracey, in my opinion, is typical of the contingency that hysterically "swallows" colorized studies to fit their own particular bias.

Surgeon General Koop's studies on smoking have been challenged and criticized by scientists around the world as non-conclusive.

How myopic of Dr. Koop and his constituents to pit individual against individual (smoker against non-smoker) rather than mount a campaign to stop the rampant pollution of our entire environment.

Water pollution, air pollution, and ground pollution. These are truly cancer-conducive.

I am not advocating that anyone begin smoking.

However, I maintain that it is an individual's right to choose, and I resent the "witch hunt" mentality of the "smokers have no rights" faction so pervasive in the country today.

Furthermore, I do not agree with the mentality of prohibition, McCarthyism, Koopism or Braceysim.

— Joan Cobane
Hospitality Plus
Huntington Beach, Calif.

Nation's Restaurant News welcomes letters on timely topics. All letters appearing in NRN may be edited for reasons of space or clarity. NRN cannot consider unsigned letters, but will withhold names on request. Letters should be addressed: Editor, Nation's Restaurant News, 425 Park Ave., New York, N.Y. 10022.

IFMA forecasts 2% growth

(Continued from page 1)
In addition, the dollar figures are not actual revenue but equivalent consumer expenditures, a calculation that multiplies non-commercial revenue by a factor of two in order to simulate economic parity with the commercial sector.

By those calculations, the 2-percent gain will yield overall food-service sales of $244.9 billion next year, up from $230.5 billion this year.

Commercial operations will increase 2.2 percent, to $174.3 billion, compared with a 3-percent rate this year.

Non-commercial will gain 1.5 percent, to $70.6 billion, slower than 1989's 2.2-percent rate.

Besides predicting a continued slowing in the rate of sales growth in most segments, Technomic officials noted that many restaurant companies have been unable to translate hard-won sales gains into higher profits.

"Increases in income are not keeping pace with revenues," Technomic vice president David C. Berkermeier told attendees at the San Francisco conference.

Total food-service revenues for the 90-plus public companies followed by Technomic increased by 11 percent in 1989, compared with a similar period in 1988. However, the net income for those companies, as a group, rose by just 9 percent, Technomic officials said.

Technomic senior principal Robert Goldin blamed discounting for the industry's profit margin problems. "Couponing ties right in," he said.

Discounting plays a role in about 20 percent of all transactions at quick-service restaurants and 15 percent of the business done at full-service establishments, Technomic said.

Since 1984, Berkermeier said, discounting has leaped 67 percent at fast-food restaurants and 88 percent in full service.

Higher wages stemming from a shortage of qualified labor are also pressuring bottom lines, Technomic officials said.

Saturation is apparently adding to operator woes as well. Technomic cited figures suggesting that there are now 2,700 persons in the nation for every restaurant, down from 7,000 per restaurant a decade ago.

Acknowledging that Technomic's forecast has been proved too pessimistic two years in a row, Goldin asserted, "We'll say it again this year: 1989 was better than we expected, but we think growth will slow down next year."

The 1988 forecast called for total food-service sales to grow by 1.2 percent in 1989. But Technomic has revised its estimate to 2.8 percent, based on first-half results.

Goldin said current economic indicators "are not overwhelmingly positive, but neither are they indicative that we are heading for a recession."

Technomic is forecasting sales gains of about 2.2 percent for separate eating places — which include quick-service restaurants, commercial cafeterias, full-service restaurants, and lunch rooms — down from the 3.2-percent growth rate projected for 1989.

"Right now independents are getting beat up pretty badly. They're losing sales to the chains," Berkermeier said.

Goldin asserted, 'We'll say it again this year: 1989 was better than we expected, but we think growth will slow down next year.'

1990: Segment By Segment

Faster growth

- Retail hosts (food-service establishments in general merchandise stores, drugstores, convenience stores, markets, and other retail outlets) — up 3 percent, to $14.8 billion, compared with 1989's projected gain of 2.2 percent.
- Colleges and universities — up 1 percent, to $6.6 billion, from .5 percent in 1989.
- Drinking places (food sales only) — up .5 percent, to $1.4 billion, from zero growth in 1989.
- Other non-commercial (penal institutions, convents, child-care centers, and passenger liners) — up 4 percent, $2.6 billion, from 3 percent in 1989.

Steady growth

- Schools — up .5 percent, to $9.14 billion.
- Lodging — up 1 percent, to $7.83 billion.
- Convenience stores — up 4 percent, to $6.38 billion.
- Commercial cafeterias — up 2 percent, to $4.49 billion
- Airlines — up 5 percent, to $4.37 billion.
- Nursing homes — up 3 percent, to $3.97 billion.
- Military — no growth, $3.1 billion.

Slower growth

- Full-service restaurants — up 2 percent, to $69.22 billion, from 3.5-percent growth in 1989.
- Fast food — up 2.5 percent, to $68.3 billion, from 3 percent.
- Business and industry — up 1.5 percent, $17.28 billion, from 3 percent.
- Health care — up 1.4 percent, to $11.3 billion, from 1.6 percent.
- Recreation — up 3 percent, to $8 billion, from 4.9 percent.
- Hospitals — up .5 percent, to $7.3 billion, from .8 percent.

Note: Growth figures are adjusted for inflation and omit all sales of alcoholic beverages.
In addition, dollar figures are not actual revenue. Instead, they are equivalent consumer expenditures, a calculation that multiplies non-commercial revenue by a factor of two to simulate economic parity with the commercial sector.

Source: IFMA, Tecnomic Inc.

Domino's nixes buyout

(Continued from page 1)
Bruckman, director of franchisee concerns, a liaison job filled with a franchisee. "It's their feeling that the price would be so high as to make it prohibitive for an insider or franchisees to pursue."

"But I know the franchisees are quite excited about it," Bruckman said.

One of the franchisee groups considering a buyout is being led by Glenn Mueller, president of Domino's largest franchisee, RPM Pizza, Gulfport, Miss.

Mueller said that his group has consulted with executives in Ann Arbor or investment bankers. Mueller said he believes his is perhaps one of many franchisee organizations with similar ambitions.

"Several of us are looking at what's there and how to go about it," Mueller said. "We'd be crazy not to."

RPM operates nearly 300 units in New York, Mississippi, Louisiana, New Jersey, Michigan, and Canada.

Some franchisees have expressed regret and concern about the possible sale of the company. But since more than two-thirds of the 5,000-unit chain is operated by franchisees, any new owner would have to appease and win the support of the licensees, Mueller noted.

"Anybody buying the company can't afford to alienate the franchisees," Mueller said. "The franchisees have everything to gain and nothing to loose."

Food service offers few examples of franchisee groups buying out their franchisors.

Recently, corporate owners rebuffed a group of Arby's franchisees offering $200 million for the company.

Bruckman said few franchisees were shocked or surprised because the rumor mill had long fueled the notion that their much-admired chairman was looking to sell the company.

"But no one can really say how the franchisees feel until we know who the owner is," Bruckman said. "Still it would be exciting and a good thing to have some fresh ideas."

Some Domino's licensees said they, too, would oppose a franchisee buyout.

'Several of us are looking at what's there and how to go about it,' Mueller said. 'We'd be crazy not to.'

"I just don't know if that would be in the best interest of the company," said David Knapp, president of Asheville Pizza, Asheville, N.C., a six-unit franchisee. "I'd love to see a big company with lots of cash like RJ Nabisco, Coca-Cola, or Pepsi buy it."

Another franchisee agreed, arguing that Domino's management needs to be challenged and "fired up" by outside shareholders, not franchisee owners.

He said outside owners would hold Ann Arbor management to a higher standard of performance and accountability than that pertaining to internal owners.

"You know, this is an arrogant company," the licensee said, asking to remain anonymous, "because we promote and hire from within, we promote drivers to the boardroom, and until we have an aggressive, risk-taking management whose actions are evaluated by outside shareholders, they're not going to take any risks.

"I think outside shareholders are the only way we'll be the McDonald's of the segment."

ShowBiz revamps Monterey

(Continued from page 1)
We've got larger portions, better quality, and much more variety with salads and chicken dishes."

The revamped units have more windows and a border-town decor featuring red clay, Mexican tile floors, and walls decorated with sombreros. Conversion costs are running about $150,000 per unit.

Average per-person checks in the new units have remained roughly the same, in the $4.90-to-$5 range.

But sales at those units are up more than 10 percent from last year's figure.

"It may be even more than that," he said, "because the sales were trending down. We not only stopped the decline but have gone positive as well."

The company plans to operate 26 Monterey's — 20 in Houston; four in Tulsa, Okla.; one in Temple, Texas; and one in Bryan, Texas.

As for the other 26 restaurants, mostly in Tulsa, Oklahoma City, Dallas, and Houston, Frank said they should all be closed by Nov. 1. ShowBiz is currently in negotiations with the landlords of the leased properties and plans to sell the units it owns, Frank said.

The Monterey House chain, founded more than 20 years ago, was in Chapter 11 proceedings when it was purchased by Brock Hotel Corp. in the fall of 1987 for $10 million. When Brock — now Integra — spun off ShowBiz in 1988, it sold the then-58-unit Monterey House chain to ShowBiz for $11 million.

"We were hoping to turn the business around from a sales standpoint," Frank said, "so it could become part of the corporation.

"Our objective in this decision was one, how do we optimize this business unit in terms of value for the shareholders? And two, what is the quickest and most effective way to get this business unit to a viable, profitable concept for the company? Scaling back to 26 was the conclusion we came up with.

"Our focus right now is to get the restaurants that have not been remodeled remodeled and to bring in the same performance as the ones that have."

The decision to close the restaurants will result in an extraordinary pretax charge of about $4.5 million for ShowBiz's third quarter ended Sept. 29, according to a company release.

The Monterey House restaurants had been draining $500,000 annually from the company, it said.

ShowBiz said its loss would be partially offset by a gain of about $1 million from the sale of the closed properties. In last year's third quarter, the company posted net income of $895,000 on revenue of $39.9 million.

Monterey House restaurants accounted for about 15 percent of ShowBiz's annual revenue.

FOOD WATCH

(Continued from page 1)
teriyaki, and a casserole.

Several other Japanese restaurants around town will be serving fugu sashimi for about $60 per person.

Those prices may be bargains compared with the tab in Tokyo, where connoisseurs typically pay $400 per person.

Kuraoka said the Food and Drug Administration allowed fugu to be served only after setting stringent safeguards, such as certifying chefs as experts and kitchens as impeccably clean and limiting the season.

— Rick Telberg